

Here, again, it is to be observed that when a flourishing private business is converted (as the definite tendency appears to be) into a joint stock undertaking, and the investor, on the knowledge of the past successful working, is tempted to invest in the new company, the chance is to be weighed whether the prosperity is likely to continue when the personal energy, cautious enterprise and tested ability of a small body of persons whose private position, personal honour and individual capital were at stake in the management, are supplanted by the (frequently) inferior sagacity and less stimulated power of supervision and administration of a different board and officials. If an investor is competent, on the change of constitution, to examine and assess the prospects, he will preferably select the debenture or higher preference stock, provided he find that a substantial annual margin of surplus revenue exists as a protection after payment of the interest upon the stated stocks. But at this initial stage of transformation exceptional care and caution are requisite.

The positions of a speculator and a general investor are here particularly distinguished; a speculator may possess special knowledge, or he may naturally assume that, for a time at least, the venture in its altered form will probably succeed; there are certain traditions and a solid good-will which, from mere custom, frequently remain attached to a transformed business or trade, especially if the former modes of work which have produced success continue; he will then watch for any signs of diminished public favour occurring from any cause, and then sell before a decline (if this should occur) should definitely set in. But this is not the right procedure for the usual investor; if he think well of the company from special knowledge he should defer his purchase of their debenture issue until, from the accounts and the general reputation which the business may maintain and augment, he feels reasonably assured of its established solidity and prosperity under the altered conditions of management. Delay may in all ventures miss a profit; but the confirmation of the habit of thoughtful delay—delay which means inquiry and

scrutiny—wins in the end, and, at all events, helps to avoid precipitate losses.  
A word of caution is advisable upon the subject of debent-